Corporate Socially Responsible Practices
In the Context of Romanian Forest-Based Industries

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Abstract: The business’ voluntary adoption of ethical behavior is becoming more and more important worldwide, as it is seen as having a significant potential in fighting with social and environmental problems. In Romania, Corporate Social Responsibility (CSR) is a quite new concept. The Romanian forestry sector can be considered a privileged sector for the adoption of such kinds of voluntarily tools, due to the fact that it faces problems like: deforestation, illegal logging and corruption. The main objective of this study is to find out the extent to which multinational and large companies in the Romanian forest-based industries sector take into account social and environmental issues into their operations. The specific objectives are: to assess the managerial perspective on CSR, to describe the engagement in social responsible activities and to find out if CSR is embedded in companies’ management strategy. Six semi-structured interviews have been conducted with the managers of six leading companies in the wood sector, operating in the region with the highest surface covered by forest in the country. The empirical findings suggest that the interviewed managers do not yet recognize a general need for CSR. The understanding and practices of CSR are anchored in the field of philanthropic actions. With one exception, CSR is perceived as an additional activity added to the mainstream operations, thus not being integrated into the core business strategies. Further, in interviewed managers’ opinion, the environmental protection is not an element that needs significant consideration.

Keywords: Corporate Social Responsibility, Romania, forest-based industries, Multinationals, business, society, environment.

1. Introduction

During the first decade after the fall of the communism in Romania, on the background of the social and economic conditions, Romanian companies have sought to maximize their immediate incomes and they have tended to neglect the long term perspectives. Therefore, the social costs and the impacts on the environment have been disregarded. Hence, for the Romanian society, but also for the business society, Corporate Social Responsibility (CSR) issues are relatively new.

The concept of Corporate Social Responsibility is an international political, social and economic issue of a growing importance, being supported enthusiastically by govern-ments, non-government organizations and by the business community, especially the large corporations. For example, the European Commission sees CSR as a business contribution to sustainable development, having the potential to contribute to economic competitiveness and to a more rational use of natural resources.

Although there are many discussions going about the specific responsibilities of the business sector towards society, the fact that business should be socially responsible is generally agreed. Globalization has created new opportunities for corporations, but many of them, after being credited to contribute to economic growth, have been criticized for creating social and environmental problems or for the violation of labour rights. Nowadays society expects business to collaborate with governments and to provide solutions to social problems faced all over the world.

Even if not explicitly stated within the CSR expression, being socially responsible encompasses also environmental responsibility. This presumes that besides the compliance with all laws and regulations as regards to protecting the environment, firms should voluntarily adopt initiatives related to recycling, energy efficiency issues or the retail of certified products.

While CSR behavior was extensively explored in many cases in the context of North America’s industries and European industries, few studies
about CSR were carried out in countries in transition. In Romania, the first steps in developing social responsible practices have been taken by large multinational investors that brought with them a tradition in community engagement and a new management culture [22]. Starting from the assumption that multinational companies (MNCs) are the first ones to be interested in implementing such behavioral patterns in countries facing economic transition, this study analyzes the CSR activities of the MNCs and large companies within the wood industry in Romania.

The forestry sector in Romania faces important problems such as deforestation, illegal logging and corruption [16]. Although the main focus of business is generating profit, it is believed that companies can also contribute to improve, if not to totally solve, the present social and environmental problems, by introducing CSR as a strategic objective in their core business practices. Consequently, this study relies on the assumption that the adoption of CSR activities within the companies operating in wood industry can contribute to the solution of the social and environmental problems of this sector.

As there is not much written neither about CSR practices in the forestry sector, nor about the way in which the social responsibility is perceived by the managers within this sector, this study attempts to provide a deeper insight in the way CSR is understood and practiced. Consequently, the aim of this study is to find out the extent to which MNCs and large companies in the Romanian wood industry sector take into account social and environmental issues into their operations and management strategies.

Zenisek [26] argues that the understanding of corporate social responsibility requires the investigation of the managerial attitudes concerning CSR and the examination of organizational behaviors resulting from the expectation of society of business. Therefore, the main objective of the present study is to set out managers’ level of understanding of CSR notion and to provide an overview of the CSR activities practiced by the companies operating in the wood industry sector in Romania. This is translated into specific objectives aiming to i) assess the managerial perspective of the CSR concept; ii) analyze the approach of companies in respect to how social and environmental aspects are taken into account into the companies’ actions; iii) describe the engagement in social responsible activities and to depict specific CSR activities iv) find out if CSR is embedded in management strategies.

Following these objectives this study examines the nature and the level of CSR practices, providing answers regarding the way managers understand Corporate Social Responsibility, the type of CSR activities in which companies are engaged and the way CSR is integrated in company’s management strategies. By answering these questions, the research assesses the level of social and environmental responsibilities of the selected companies and draws several normative recommendations.

After presenting the problem statement and the research questions, an extensive literature review part follows, intended to find theories that can address best the research objectives. The selected theories provide a conceptual framework of the issues to be examined. Next, the research method part introduces the tools used in data collection and data analysis, considering the explorative character of the study. Finally, the empirical results are presented and discussed, and conclusions are drawn.

2. Theoretical framework

2.1 Towards a definition of CSR

Corporate Social Responsibility is not a new concept. It is just that what exactly means social responsible behavior has evolved over decades. A great number of definitions of the concept, ranging from simple to complex, can be found in the literature. Even if the discussion about the relationship between business and society and the involved responsibilities has been going on for several decades, there is still no consensus on a commonly accepted definition of CSR [7], [4].

The literature on CSR covers matters such as the expectations of the society towards business, the obligations of firms towards society or the responsibilities perceived by the business society, in general. Different definitions underline specific aspects, depending from which perspective they are formulated (e.g. academics, shareholders, executives, representatives of business, society, specific industry). Therefore, CSR is defined either in a society-centered way or in a business-centered way.

The conceptualization of CSR depends also from the approach undertaken: some researchers have approached CSR from a normative stand point, emphasizing on the duties that business has towards society; others have approached CSR from a managerial perspective, giving suggestions for the way in which a firm
can successfully manage CSR; at last, CSR has been looked at from an instrumental perspective, the way in which CSR can generate benefits being detailed.

Within the framework of this general debate, further, the research will be conducted using a more practical definition, which describes CSR as: a concept whereby companies decide to contribute to a better society and a cleaner environment, by voluntarily integrating social and environmental concerns into their operations, while integrating all the stakeholders (adaptation after European Commission 2001 definition).

2.2. Core elements of CSR

In order to analyze managers’ perceptions on CSR concept and to identify the approach of companies in respect to how they take into account social and environmental aspects, a conceptual delimitation of CSR and its main dimensions are highlighted further. First, CSR is a social construct and what exactly it means can vary from one country to another and even from one industry to another. Second, CSR is a dynamic process, varying over time, due to the changing expectations of the society. CSR is an ongoing process rather than a set of outcomes [15], [7]. Third, CSR is part of a long term perspective, integrating economic, environmental and social concerns in company’s day-to-day activities. Last, CSR is voluntary the adoption of socially responsible behavior doesn’t have to be enforced. It is very important to emphasize that complying with law and regulations does not mean that a firm is social responsible. Another characteristic is that a firm which acts in a responsible way takes into consideration all the stakeholders who can have a claim on firm’s activities that affect them.

Additionally, it is important to make a differentiation between CSR and Corporate Philanthropy. The later means that firm give back to society a part of their financial assets they generated thanks to society’s input. Philanthropy does not mean essentially that the firm develops a broader strategy. CSR includes philanthropic contributions, but it is not limited to them [7].

2.3. Theories of CSR

Academic researchers have developed different theories and models in order to analyze and measure CSR. From the common base of the traditional profit making target, they have built up different approaches.

The social contract theory considers the relationship between business and society, based on the philosophical thinking of Locke. The assumed contract would imply some indirect obligations of business towards society.

Gray et al. [11] describe society as a series of social contracts between members of society and society itself. From this perspective, firms act in socially responsible ways because this is part of how society expects them to operate. Moreover, business needs the resources of the society to operate, to prosper and even to survive.

Society’s expectations towards business have evolved over time. Originally, this contract included only economic responsibilities, but the latter contract required the balance of the economic progress with the social one, because the paid taxes were not anymore sufficient to ensure the social progress. Many modern corporations recognize the complexity of their relationships with the society.

However, the core idea of the theory is that the corporate social contract implies both society’s expectations of business and business expectations of society. Therefore, the analysis considers that business and society are equal partners, each of them having specific rights and responsibilities. Firm’s responsibilities should match with its economic, social and political power [3].

The stakeholder theory was initiated by R. Edward Freeman, with his book "Strategic management: A Stakeholder Approach", published in 1984. He has defined the stakeholder as "any group or individual who can affect or is affected by the achievement of the organization’s objectives" [9] and he has described the firm as a series of connections of stakeholders managed by the administrator. Yet, the stakeholder theory appears as opposite to Friedman shareholder paradigm [10], which states that the shareholders are the only one having a claim on the business.

According to Carroll [5] the word “stake” refers at having “an interest or a share in an undertaking”. He has related the concept of CSR with the idea of stakeholders: There is a natural fit between the idea of corporate social responsibility and an organization’s stakeholders... The concept of stakeholders personalizes social or societal responsibilities by delineating the specific groups or persons business should consider in its CSR orientation [6].

There are many stakeholders that the companies from the forest industry can take into account. Yet, given the peculiarities of the sector, the analysis is focused only on the
following ones: the shareholders, the government, suppliers, customers, employees, environment, communities and NGOs.

2.4. Models of CSR

There have been several attempts to study CSR in terms of models. Quasi and O’Brien have broadly classified the models in two major categories. The first group of models sustains that the social responsibility of business is a single dimension activity, in which business has to supply goods and services to society at a profit. The second category of models plead that business should also provide welfare of society as a whole, so it has a broader responsibility, reaching beyond the narrow perspective of profit maximizing in short term [20].

Therefore, CSR has been conceptualized in a number of different ways, which can be presented in a two-dimensional perspective: at one side CSR is defined purely economic and at the opposite side CSR is labeled as socially oriented in a proactive social responsiveness view. The steps in between these two extremities include legal obligation, voluntary perspectives, ethical concerns, public response-ilities or other combinations.

Yet, in the present research, three models are used as to analyze the results in a systematic way: one belonging to Carroll [6], another one belonging to Swift and Zadek [23] and one model developed by Quasi and O’Brien [20].

Carroll’s Pyramid visually conceptualizes the components of CSR, depicting them within a pyramid. The CSR firm should strive to make a profit, obey the law, be ethical, and be a good corporate citizen [6]. Society expects business to fulfill its economic operation and, in the same time, to comply with laws and regulations. Carroll has placed these responsibilities in the next layer of his pyramid, but he has explained that they coexist with the economic ones. The philanthropic responsibilities represent actions that are in response to society’s expectation that businesses be good corporate citizens [6]. They differ from the ethical responsibilities by the fact that they are desired by the society and they are expected to be a voluntary part of the business. Summing up, the main idea is that even though the components of CSR can be treated separately, they do not exclude each other and they should be fulfilled simultaneously.

Recently, Swift and Zadek [23] have proposed a more practical approach, with four stages of development: i) legal compliance (CSR is more than an obligation); ii) low-level business case (this stage includes public visible approaches such as philanthropy, risk management and industry standards); iii) strategic corporate responsibility (CSR is integrated into key aspects of business practice); iv) corporate responsibility as a substantial resource base for strategies (e.g. includes partnerships, institution building, etc.)

Quasi and O’ Brian [20] have proposed a two-dimensional model of CSR, in order to determine a company approach to CSR. They have proposed that companies could be clustered according to four different views: classical, socio-economic, modern and philanthropic. The classical one has a narrow view on responsibilities of a firm and recognizes no benefits from practicing socially responsible actions. The socio-economic one also perceives the responsibility from a narrow point of view, but accepts the fact that adopting some degree of social responsibility will lead to net benefit to the company. Firms adopting a philanthropic view accept to participate in philanthropic activities, even if this is perceived has a net cost. The modern view on CSR means that net benefits from socially responsible actions are drawn in the long run, as well as in the short run.

2.5. Conceptual framework

Out of the scientific objectives, the conceptual framework used in the analysis integrates the core elements of CSR, the social contract theory and stakeholder theory and the three explained models for CSR.

Managers’ understanding on CSR is assessed within the context of the identified core elements and its dimensions. From the perspective of the social contract theory and stakeholder theory, it is assumed that companies adopting a social responsibility behavior explain their involvement because of the society expectation or because various stakeholders expects them to operate in this way. The overall approach of a company to CSR is analyzed as it includes the four categories of Carroll’s Pyramid: economic, legal, ethical and philanthropic responsibilities. Furthermore, companies can be clustered according to the four stages of development presented in the Swift and Zadek model and integrated in a classical, socio-economic, modern or philanthropic view, as in the Quasi and O’Brien bi-dimensional model. In the end, the stakeholder management theory is used as to explain the way managers merge their objectives with stakeholders’ expectation and the challenge to decide exactly which stakeholders deserve attention into the decision making process.
3. Research method

The explorative nature of the study, intended to reveal managers' perception on CSR, as well as the descriptive nature of the study, aiming to present specific CSR activities, has implied a qualitative design of the research process, with the use of an interview research technique.

Exploratory research seeks to find out how people get along in the setting under question, what meanings they give to their actions, and what issues concern them [21].

Also, it has a descriptive character, because it aims to describe the social responsible practices of these companies. Descriptive research seeks to depict what already exists in a specific situation and it is used to obtain information concerning the current status of the phenomena.

It has been decided to adopt a theory-before-research model. This model as designed by Nachmias & Nachmias [19], requires ideas and theory to come before conducting the empirical research. Therefore, stages of this research have been the following: Idea -> Theory -> Design -> Data Collection -> Data Analysis -> Findings.

The design of the research intended the use of multiple sources of evidence through the research study as to construct its validity. A clear research protocol and the development of a research data base has been done as to assure the reliability of the study.

3.1. Data Collection

Since the general objective of the study is to assess managers' approach towards CSR, interviews were considered the most appropriate instrument. The type of interview preferred was semi-structured, with open-ended questions. Bernard [2] states that semi-structured interviewing is very suitable for the situations where the researcher is not able of meeting the interviewees for a second time and that this is the best instrument to be used when dealing with managers. The semi-structured interview is based on an interview guideline, which includes the questions and topics that need to be covered, and also the particular order in which the subjects have to be discussed. Having open-ended questions, means that the respondents are asked specific questions, and in the same time, they are given the possibility of presenting their opinion about important issues not mentioned in the questions.

When conceived, the questions have been clustered in four main categories, as resulted from the conceptual framework and in order to facilitate the further analysis. These categories are: the perception on CSR, the perceived benefits of adopting responsible behavior, specific examples of CSR activities, and the role of CSR within the company.

The primary data collection was going to be achieved through the conducted interviews with the managers of leading companies in the Romanian forest industry sector. As already mentioned before, in Romania MNCs are the leaders in CSR and they were also the first to develop responsible practices, due to their previous experience in their home-countries [22]. It was presumed that large Romanian companies were the next ones to follow up the example given by the MNCs that is why the interview sampling criteria integrated the two groups: large and/or multinational companies.

The empirical part of the research has started with the identification of the large companies operating in the wood sector. Using the information received from the Chamber of Commerce and Industry of Romania, e-mails have been sent to the first 10 large companies in Romania. After 3 weeks, none of them have answered, so the next step has been to call them. This attempt has failed as well, due to the fact that the secretaries that answered didn't consider the issue as being enough important to be presented to their chiefs. Due to the limited timeframe of this study, as well as because of the time, money and effort required to collect the data, it has been decided that opportunities are to be maximized in order to obtain the necessary data. This decision has led to the shifting of the study area from the national level to the district level. Mainly due to the fact that some contacts have already been established previously with several firms in the sector, but also taking into consideration that Suceava is the county with the highest forest cover and with the biggest quantity of harvested wood [12] constantly during the years, Suceava district has been set as becoming the new focused area of study. After several insistences and personal contacts being used, six managers have agreed to discuss about CSR. All the interviews have been carried out during the month of August 2007 and all of them have taken place within the office buildings of the companies.

3.2. Data Analysis

In order to address the research questions, the evidence collected from the empirical research are examined and linked with the theoretical framework developed.
In this study, the analysis of the collected data has been qualitative, which means that the transcription of the interviews has been interpreted. This represents a hermeneutic approach, which consists in the continuum interpretation of the words from the interviews' texts, in order to understand their meaning [2]. A hermeneutic analysis supposes the exploration of the words' meanings and looking for their interconnections. Also, according to Miles and Huberman [18], this is an interpretative approach, which allows treating individuals' actions as text.

Within this qualitative approach, the content analysis was chosen as a technique. One of the advantages of the content analysis process is that it provides a means by which to study processes that occur over long periods of time or that may reflect a trend in society [1]. In reaching the purpose of this research, the qualitative content analysis was believed to be the most appropriate procedure for analyzing the data to be gathered through the semi-structured interviews.

4. Results and discussion

The empirical findings put forward a number of issues that deserve further discussion.

4.1. Managers’ perception about CSR

The first category in the analysis refers to the way the interviewed managers perceive the concept of CSR. Any of the six interviewed managers haven't been able to present a clear definition of CSR. Out of the six managers, two have mentioned that they have never heard about the concept of CSR, while others had various understanding of the concept. Therefore, for a clear understanding of the issue under discussion, the definition used in the conceptual framework has been given to them. Hearing the definition all managers have stated they know what it is about; it was just that they didn’t know the precise expression.

However, it seems that the majority of the interviewed managers stick only to a philanthropic dimension of CSR, conceiving the notion mainly as charitable contribution that their companies is expected to make towards different groups of society.

The main dimensions regarding the understanding of CSR highlighted earlier within the theoretical framework don’t match with the interviewed managers perception. The understanding of CSR seems to be set within the framework of voluntary actions, materialized in donations to different stakeholders, primarily to the local community. CSR is mainly identified with philanthropic contributions that business has to accomplish additional to their day to day activities.

4.2. The perceived practice of socially responsible activities

The interviewed managers have further described all the activities perceived by them, as categorizing them among the socially responsible companies.

An important issue to be discussed is the fact that five interviewed managers didn’t identify a wide range of stakeholders, being focused maximum on two groups: employees and the local community. Consequently, their voluntary activities have been targeting only these groups. This situation is comparable with the one in Serbia and Montenegro, a World Bank Report about business perspectives on CSR showing that the main stakeholders identified by the respondents are their employees, customers and shareholders [24]. The Romanian situation demonstrates an unconcern from the stakeholders' side and the fact that the civil society is not yet fully formed. On the other hand, this shows the insufficient involvement of NGOs in CSR issues.

Environmental protection is not seen as having a big importance for the most interviewed managers. Only two companies have implemented an environmental management standard or have invested in technology to control the emissions. Also, only these two companies already started to buy certified wood. The rest of them didn’t show any interest in these kinds of issues.

There hasn’t been mentioned any contributions from the companies’ side in revealing corruption cases or illegal logging activities. Any of the interviewed managers didn’t mention strategies to combat illegal logging. This may reflect either the fact that these issues don’t constitute a real problem for them, or most probable the fact that they indulge the situation or even more, they maintain it, due to the economical gains they obtain through buying cheaper wood for example.

The conclusion here is that as they struggle with honoring the laws, consequently, they don't do anything more beyond the law. It becomes clear, that the majority of the companies are not ready to take full responsibility towards environment.

When asked about the type of CSR performed, all managers consistently referred to
philanthropic activities and programs, with no mention about economic viability, legal compliance or ethical conduct.

4.3. The role of CSR in management strategies

Any of the six companies doesn’t have a special CSR department. However, only one company has shared the responsibilities related to CSR to two departments: Quality and Environment and Health and Work Protection. But the final decisions are always taken by the management team. They have adopted a special standard since the beginning of their activity in Romania.

The general findings suggest a lack of a systematic approach, as well as a lack of institutionalized approach to CSR. Similar findings were achieved in study that examined the CSR approach in Lebanon [14]. In the same time, the findings of the present research are convergent with the results of a World Bank Report concerning CSR practices in Romania. During 2003 and 2004, a quantitative research has been conducted with the objective of determining how corporate managers from the leading companies in Romania, Bulgaria and Croatia perceive CSR and define their companies’ roles. The findings reveal that the concept of CSR is interpreted by the majority as “abiding by the rules”, while others view their social responsibility as meeting the needs of their employees. In the same time, they have a less well developed view of their responsibilities for the environment, beyond some relative low technology approaches, such as waste reduction and recycling [24]. Another paper offering comments on the perception of CSR shows that Romanian managers do not yet recognize a general need for CSR …they tend to account only the costs side and often ignore the added value of CSR [15]. In the current context, the findings of the present study should not come as a surprise.

5. Conclusions

Worldwide CSR is becoming more relevant also for the forestry sector, as business responsible actions could contribute to combating deforestation, illegal logging, corruption or other problems existing in the sector. In Romania, the first steps in developing socially responsible practices have been taken by large multinational investors, as they are the one having the financial resources and they have brought with them a new management culture. This study has aimed to examine corporate socially responsible activities within six multinational and large companies in this field in Romania. In particular, these practices have been described and analyzed with the final objective of determining if they are integrated in the companies’ strategies, becoming socially responsible cultures.

Referring back to the objectives of this study, it has been revealed that with one exception, the interviewed companies are far away from having a holistic understanding of CSR. In general, the understanding and practices of CSR are anchored in the field of philanthropic actions. An assessment of Carroll’s four dimensions of CSR suggests that all managers consistently referred to philanthropic activities and programs, with no mention about ethical conduct, legal compliance, or even economic viability. Except one company, the other five companies perceive CSR as an additional action added to their mainstream activities and do not attempt to integrate it in their core business decisions. Additionally, some managers have admitted that their companies still face significant challenges in complying with laws and regulations. Generally, less attention if not any, is being paid in fighting with corruption issues.

The interviewed managers do not yet recognize a general need for CSR. This shows a lack of information on other CSR domains. Moreover, the managers don’t perceive the environment as a stakeholder and consequently, the environmental protection is not an element of consideration. An absurd lack of information has been observed as regard to certification issues.

Concluding, the work with CSR refers only to social and not to environmental issues. Therefore, there is a need for the Romanian managers to develop their understanding on CSR issues and to integrate responsible activities and attitudes into their business strategies. Moreover, they have to understand that in order to achieve the principles of sustainable development companies must consider environment, as well as other stakeholders’ interests. The companies should be more careful with the ethical behavior. Moreover, their interest should be changed from the short term gains to a sustainable long term perspective. Further, there should be given information and assistance on CSR issues, and incentives should be allocated in order to enhance the socially responsible behavior.

Further research is needed for the identifica-
tion of specific factors that make the companies operating within the Romanian forest-based industries unable to behave responsibly towards the environment. These causes would be important in order to understand the needs of the sector and to set the relationships between CSR and the sector’s characteristics. Even though the generalisability of the qualitative research is complex, it is assessed that within the specific Romanian conditions and within the context of the Romanian wood industry reality, the findings can be validated as being representative for the whole sector. Yet, a limitation of the study could be the biased answers. It is possible that the interviewed managers gave distorted answers, in their attempt to present a positive picture of their companies. Anyhow, in this respect they could only exaggerate when presenting the amount of philanthropic actions they have been involved in or the facilities they offer to their employees. It is worth noting that two managers suggested the adaptation of their final statements, according to the needs of the research.

However, it is considered that the findings of the study would be generally the same, even when using other methodological approach. It is to be noticed that the results are valid for a relative short timeframe, as managers’ perception and their actions might change in time.

References


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